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GREYHOUND ELECTRONICS, INC.
(not affiliated with The Greyhound Corp.)
Rt. 37 & Germania Station Road • P.O. Box 1697 • Toms River, N.J.
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992 or

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

PROCESSED BY
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JUL 17 1992

For quarter ended _____ May 31, 1992 _____

Commission file number _____ 0-17083 _

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Grayhound Electronics, Inc.
(Exact name of registrant as specified in _____)

Delaware	22-2432-000
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Route 37 and Germania Station Rd., Toms River, NJ 08755
(Address or principal executive offices)

(908-341-5200)
(Registrant's telephone number, including area code)

(Former name, former address and formal fiscal year, if changed since last report)

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No_____

Indicate the number of shares outstanding of each of the issuer's classed of common stock, as of the latest practicable date.

Class	No. of Shares Outstanding on May 31, 1992
Common Stock par value $.001 per share	10,510,716

Grayhound Electronics, Inc.

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GRAYHOUND ELECTRONICS, INC.
CONSOLIDATED BALANCE SHEET

	MAY 31, 1992 (UNAUDITED)	NOV. 30, 1991
ASSETS		
CURRENT ASSETS		
CASH	$ 80,627	$ 123,203
ACCOUNTS RECEIVABLE, LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF $132,420 AND $98,000 RESPECTIVELY	1,377,457	1,406,492
INVENTORY	1,008,000	958,000
NOTE RECEIVABLE, CURRENT	100,000	100,000
INCOME TAXES RECEIVABLE	0	73,000
OTHER CURRENT ASSETS	23,535	15,000
TOTAL	$ 2,589,619	$ 2,675,695
PROPERTY & EQUIPMENT, NET	118,439	125,239
NOTE RECEIVABLE	350,000	400,000
OTHER ASSETS	58,965	24,715
	$ 3,117,023	$ 3,225,649
LIABILITIES & SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
CURRENT MATURITIES L/T DEBT	$ 582,523	$ 575,816
ACCOUNTS PAYABLE	695,842	617,983
INCOME TAXES PAYABLE	115,800	70,800
ACCRUED EXP. & OTHER LIAB.	426,261	545,614
TOTAL	$ 1,820,426	$ 1,810,213
LONG TERM DEBT	1,145,455	1,381,047
SHAREHOLDERS EQUITY		
PREFRD. STK, PAR VAL $.01/SH	10,000	10,000
COMMON STK, PAR VAL $.001/SH	10,501	10,501
ADDITIONAL PAID IN CAPITAL	21,275	21,275
RETAINED EARNINGS	109,366	(7,387)
TOTAL SHAREHOLDER EQUITY	$ 151,142	$ 34,389
	$ 3,117,023	3,225,649

GRAYHOUND ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED MAY 31, 1992
(UNAUDITED)

	1992	1991
REVENUES	$ 2,715,186	$ 4,354,531
COST OF SALES	1,905,542	3,086,652
GROSS PROFIT	809,644	1,267,879
COST AND EXPENSES		
SELLING, GENERAL & ADMIN.	511,312	872,593
RESEARCH & DEVELOPMENT	58,936	67,567
TOTAL COST & EXPENSES	570,248	940,160
INCOME FROM OPERATIONS	239,396	327,719
INTEREST & DIVIDEND INCOME	3,394	549
INTEREST EXPENSE	(74,348)	(124,325)
INCOME BEFORE TAXES	168,442	203,943
PROVISION FOR TAXES	(51,689)	(82,000)
NET INCOME	$ 116,753	$ 121,943
NET INCOME PER SHARE	$ .01	$ .01
WEIGHT AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	10,510,716	10,510,716

GRAYHOUND ELECTRONICS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED
MAY 31, 1992 AND 1991
(UNAUDITED)

	MAY 31, 1992	MAY 31, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	$116,752	$121,943
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECATION AND AMORTIZATION	6,800	22,000
CHANGES IN ASSETS AND LIABILITIES:		
ACCOUNTS RECEIVABLE, NET	29,035	304,413
TAX REFUND RECEIVABLE	$73,000	
OTHER CURRENT ASSETS	(8,535)	139,134
INVENTORY	(50,000)	100,000
OTHER ASSETS	(34,250)	(18,444)
ACCOUNTS PAYABLE	77,859	(321,855)
INCOME TAXES PAYABLE	45,000	151,562
ACCRUED EXPENSES & OTHER LIAB.	(119,353)	(33,049)
NET CASH PROVIDED BY OPERATING ACTIVITIES	136,308	465,704
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:		
NOTE RECEIVABLE, LONG TERM PORTION	50,000	0
REPAYMENT OF LONG TERM BORROWINGS	(228,885)	(366,815)
NET INCREASE (DECREASE) IN CASH	($42,577)	$98,889
CASH, BEGINNING OF YEAR	123,203	179,535
CASH, END OF THIS PERIOD	$80,626	$278,424
SUPPLEMENTAL DISCLOSURES		
CASH PAID DURING THE PERIOD FOR:		
INTEREST	$74,349	$124,325
INCOME TAXES	5,000	5,000

GRAYHOUND ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE QUARTER ENDED MAY 31
(UNAUDITED)

	1992	1991
REVENUES	$ 1,367,393	$ 2,053,943
COST OF SALES	1,005,527	1,466,869
GROSS PROFIT	361,866	587,074
COST AND EXPENSES		
SELLING, GENERAL & ADMIN.	200,110	518,135
RESEARCH & DEVELOPMENT	29,842	30,849
TOTAL COST & EXPENSES	229,952	548,984
INCOME FROM OPERATIONS	131,914	38,090
INTEREST & DIVIDEND INCOME	801	549
INTEREST EXPENSE	(35,546)	(56,889)
INCOME (LOSS) BEFORE TAXES	97,169	(18,250)
PROVISION FOR TAXES	(31,664)	7,000
NET INCOME (LOSS)	$ 65,505	$ (11,250)
NET INCOME (LOSS) PER SHARE	$ .01	$ .00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	10,510,716	10,510,716

Grayhound Electronics, Inc.

Notes to Consolidated Financial Statements

(1) Basis of Presentation:

The unaudited financial statements of Grayhound Electronics, Inc. as of May 31, 1992 reflect all adjustments which, in the opinion of management, are necessary for a fair statement of results for the interim periods. Certain information and footnotes disclosures required under generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. Although the Company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these financial statements be read in conjunction with the audited financial statements and notes thereto for the fiscal year ended November 30, 1991, included on Form 10-K.

(2) Net Income Per Common Share:

Net income per common share is based upon the weighted average number of shares outstanding during the period adjusted for dividends payable on preferred stock. Common stock equivalents, at May 31, 1991 and 1992, represented by convertible preferred stock, were not included in the computation of average shares outstanding since their inclusion would have been anti-dilutive.

(3) Inventory:

Inventories, which consist primarily of purchased components, are stated at the lower cost (first-in, first-out) or market.

(4) Affiliates:

This category included amounts due from entities that were owned by officers of Grayhound. These officers resigned, effective November 30,1991, and their voting rights have been restricted. Since they no longer exercise voting rights, contribute to the daily operations or participate in management decisions, the entities they control are no longer considered affiliates.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

At May 31, 1992, the Company had working capital of $769,200 as compared to $865,000 at November 30, 1991. Although there was not a significant change in the net working capital position, the Company did reduce its current liabilities in proportion to its current assets, thereby increasing its working capital ratio.

The Company was successful in its concentrated efforts to reduce accounts payable and term bank debt. Through the use of cash generated from operations.

The Company does not have any significant contractual capital commitments during the next six months.

Results of Operations

Three Months ended May 31, 1992 as compared to May 31, 1991.

The Company incurred a net profit for the 3 months ended May 31, 1992 of $65,000 as compared to a net loss for the three months ended May 31, 1991, of $11,250.

Revenues for the three months ended May 31, 1992 were $1,367,000 as compared to $2,053,900 for the three months ended May 31, 1991. The principal reasons for the reduction were the tightened credit policy of the Company, the continued decline in the economy and reduced loans to our distributors by their banks. As described on page 11, the Company is currently negotiating with outside parties to provide a source of financing for our potential customers.

Gross Margin for the three months ended May 31, 1992, decreased to 26.5% as compared to 28.5% for the three months ended May 31, 1991. Due to declining sales.

Selling, General and Administrative expenses for the three months ended May 31, 1992 were $200,110 as compared to $518,135 in the three months ended May 31, 1991. This reduction in expenses was achieved through cost containment efforts and cessation of legal matters.

Six Months ended May 31, 1992 as compared to May 31, 1991.

The net income for the 6 months ended May 31, 1992, was $116,700 as compared to $121,900 for the six months ended May 31, 1991.

Revenues for the six months ended May 31, 1992 were 2,715,000, as compared to $4,354,000 for the six months ended May 31, 1991. The principal reasons for the reduction was the tightened credit policy of the Company coupled with a general decline in the economy and the difficulty the Company's customers experienced in obtaining financing from other sources. The company is currently negotiating with outside parties to provide a source of financing for our customers.

Gross Margin for the six months ended May 31, 1992, increased to 30% as compared to a gross margin of 29.1% of for the six months ended May 31, 1991. Management believes the Company's cost controls and pricing policy have been effective in producing greater return on the sales dollar.

Selling, General and Administrative expenses for the six months ended May 31, 1992, were $511,300 as compared to $872,600 in the six months ended May 31, 1991. This reduction in expenses was achieved through cost containment efforts.

Part II. Other Information

Item 1. Legal Proceedings:

(a) None.

Item 5. Other Information

Progress continues in the development and sales of the Company's card dispensers. Not only are operators using the card dispensers on their existing equipment but large manufactures have purchased the O.E.M. units to incorporate into their existing products or the new games they are creating using our card dispenser as the main feature.

The Company's research and development continues to develop additional uses for the card dispenser.

The unit can dispense debit cards in addition to sports & non sports cards. Debit cards are plastic charge cards, as you might see on College Campuses, where students buy the cards from a machine and use the card to purchase items from vending equipment instead of cash.

The newest use of the Company's card dispenser is for the dispensing of instant lottery tickets. The Company is developing an instant lottery ticket dispensing unit to be used by those states which have passed legal instant lottery ticket dispensing legislation such as Virginia, Delaware, Vermont and Kentucky. The lottery commissions of these states have placed lottery dispensing units in areas to speed up the selling of tickets without increasing labor costs, thereby increasing sales by as much as 30% to 1,000% in some areas. Locations receive a percentage of all tickets sold. Locations are agreeable to this arrangement as they will save on labor costs and increase the number of tickets sold.

Development of the Company's Video Lottery Terminal programs continue to progress.

Video Lottery Terminals are legal electronic lottery games played on a video screen. Each game whether poker, blackjack, bingo, or keno is played to win prizes redeemable for cash or free plays. VLT's do not dispense money to winners. A printer, inside the game, activates after the patron pushes a button and prints a ticket with the results of the play showing the numbers of credits won and the dollar value of these credits. The patron then redeems the ticket for cash from the establishment where the VLT is located.

According to the trade journal, Gambling and Wagering Business International, at present, legislation has been passed for legal video gambling in the states of Louisiana, Montana and South Dakota and games are

currently authorized, regulated and implemented by the lottery authorities of South Dakota, West Virginia and the maritime provinces of Atlantic Canada. Other states such as Illinois, Kansas, Maine, Michigan, Oregon and Wisconsin are in various stages of considering adoption of legalizing legislation. The Company is trying to position itself in this market as soon as possible. As states such as Louisiana began VLT operations in June of 1992 other states which have VLT legislation in various stages will be watching the results. If favorable, as we expect, many of the legislators will move their legislation forward at an accelerated pace.

Grayhound wants to be in position to take advantage of this sizable market as it develops state by state.

The K-mart test of the Companies cranes is almost completed and the early results are favorable. It is expected that with the approvals of K-mart management the roll out of the crane program will result in sales in the fourth quarter. There are over 2700 K-mart stores nationally.

Plans for external financing. The Company has secured sources for financing the Company's equipment externally, for credit worthy customers. This creates an opportunity to increase sales in areas where tight money has caused problems.

Item 6. Exhibits and Reports on Form 8-K

(a) None.

(b) The Company has not filed any reports on Form 8K during the Quarter ended May 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GRAYHOUND ELECTRONICS, INC

By

Thomas M. Ricci
Chairman of the Board and
Chief Financial Officer